

Message Text

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C O N F I D E N T I A L MILAN 1908

E.O. 11652: GDS
TAGS: EINV, EGEN, ELAB, IT
SUBJECT: RANCO

REF A. MILAN 1808 B. ROME 12971 C. STATE 196608 D. MILAN 1830

1. SUMMARY. WE DISCUSSED RANCO LOAN DELAY WITH RANCO OFFICIALS HERE. THEY FEEL THAT, GIVEN CUMBERSOME LOAN APPLICATION PROCESS, LOAN WOULD BE DELAYED ANOTHER EIGHT MONTHS EVEN UNDER IDEAL CONDITIONS. APPLICATION FOR CASSA INTEGRAZIONE SPECIALE, FIRST STEP IN LOAN PROCESS, HAS NOW PASSED FROM REGIONAL LABOR OFFICE IN MILAN TO MINISTRY OF LABOR IN ROME, BUT NUMBER OF OTHER STEPS LOOM AHEAD. EMBASSY MAY WISH TO FOLLOW MATTER AT MINISTRY LEVEL WITH VIEW TO EXPEDITING LOAN. END SUMMARY.

2. CONSULATE DISCUSSED RANCO SITUATION WITH RANCO ATTORNEYS BAKER AND MCKENZIE; RANCO GENERAL MANAGER FOR OPERATIONS IN COMO SERGIO FRANGI; AND DIRECTOR OF OPERATIONS FOR RANCO CONTROLS - EUROPE V. J. LEWIS.

3. LEWIS AND FRANGI SAW LOAN APPLICATION HOPELESSLY ENTAGNLED IN BUREAUCRACY. THEY NOTED THAT APPROVAL FOR CASSA INTEGRAZIONE SPECIALE, A STAGE JUST NOW COMPLETED AT MILAN LEVEL (SEE REFS. A AND D), IS ONLY FIRST OF MANY STEPS TOWARDS APPROVAL OF LOAN. (CASSA INTEGRAZIONE SPECIALE IS FUND WHICH ALLOWS FIRM TO KEEP CERTAIN UNEMPLOYED WORKERS ON PAYROOL WITH STATE
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PAYING 95 TO 96 PERCENT OF WAGE.) THEN, SAID LEWIS,

APPLICATION MUST BE REVIEWED BY INTERMINISTERIAL COMMITTEE, AFTER WHICH MINISTRY OF LABOR MUST ISSUE DECREE. NEXT, FIRM'S RESTRUCTURING PLAN MUST BE REVIEWED AND APPROVED BY MINISTRIES OF LABOR AND INDUSTRY. ONCE APPROVAL IS GRANTED, RANCO WILL NEED TO FIND LENDER. LOAN THEN COMES UP FOR PRELIMINARY APPROVAL. ONCE THIS HAPPENS, RANCO MUST APPLY FOR INTEREST SUBSIDY. AND, SAID LEWIS, THERE IS GOOD DEAL MORE, TOO DEPRESSING TO RELATE IN DETAIL.

4. FRANGI CLAIMED THAT LOAN APPLICATION PROCESS WOULD LAST ANOTHER EIGHT MONTHS UNDER IDEAL CIRCUMSTANCES BUT EXPECTS WAIT OF FIFTEEN MONTHS. LEWIS SAID THAT FIRM NEEDS GOVERNMENT-SUBSIDIZED LOAN TO HELP SATISFY SHORT-TERM/HIGH INTEREST DEBTS INCURRED IN OPENING PLANT EARLIER THIS YEAR. LEWIS SAID HE DIDN'T KNOW WHAT STRINGS WERE TO BE ATTACHED TO LOAN OR WHAT RESTRICTIONS THERE WOULD BE ON ITS USE. (COMMENT. IT IS POSSIBLE THAT GOVERNMENT WOULD INSIST THAT LOAN OF THIS TYPE GO NOT FOR PAYMENT OF SHORT-TERM DEBT, BUT, FOR XAMPLE, FOR CAPITAL PURCHASES. END COMMENT.)

5. FRANGI SAID GOVERNMENT-SUBSIDIZED LOAN WOULD CARRY INTEREST RATE ONLY ONE-THIRD THAT OF PRESENT MARKET RATE. FIRM MUST APPLY FOR LOAN THROUGH NORMAL BANKING CHANNELS AT CURRENT RATES. FIRM THEN PAYS 6 - 7 PERCENT INTEREST AND GOVERNMENT PICKS UP DIFFERENCE.

6. FRANGI EXPLAINED HOW RANCO HAS MOST THAN FULFILLED OBLIGATIONS TO UNIONS ASSUMED VIA LAST YEAR'S AGREEMENT WHEN PLANT REOPENED. RANCO NOW HAS 396 WORKERS ON BOOKS --381 ACTUALLY WORKING AND 15 ON CASSA INTEGRAZIONE. THIS MEANS THAT RANCO IS AHEAD OF SCHEDULE IN GOAL OF REACHING TOTAL OF 450 WORKERS BY DECEMBER 1976. FRANGI FELT RANCO'S EMPLOYEE TOTAL COULD REACH 500 BY YEAR END IF LOAN AND RESTRUCTURING (SEE BELOW) GO WELL.

7. FRANGI ADDED THAT RANCO NOW PRODUCING 14,000 REFRIGERATION THERMOSTATS DAILY, 60 PERCENT OF PRODUCTION BEFORE LAST YEAR'S SHUTDOWN. HE SAID IT IS HARD TO TELL
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WHETHER PLANT OPERATING PROFITABLY SINCE BOOKS NOT BALANCED UNTIL END OF FINANCIAL YEAR IN SEPTEMBER.

8. FRANGI CONFIRMED THAT RESTRUCTURING OF FIRM IS NECESSARY BEFORE FIRM IS ELIGIBLE FOR LOAN (REFS A& D). RESTRUCTURING, DESIGNED TO MAKE COMO PLANT MORE COMPETITIVE, CONSISTS OF A) DECREASING NUMBER OF LABORERS FROM LAST YEAR'S 750 TO EVENTUALLY 500,

B) CHANGING PRODUCT MIX, C) ELIMINATING SOME OFFICEW
(E.G., ENGINEERING AND SALES), AND D) PURCHASING
NEW CAPITAL EQUIPMENT.

9. LOAN APPLICATION HAS NOW PASSED OUT OF HANDS OF
REGIONAL AND PROVINCIAL OFFICES IN LOMBARDY. REGIONAL
LABOR OFFICE HAS TOLD US IT HAS PASSED
RANCO'S APPLICATION FOR CASSA INTEGRA-
ZIONE SPECIALE TO MINISTERO DEL LAVORO E DELLA PREVIDENZA
SOCIALE, DIREZIONE GENERALE PREVIDENZA E ASSISTENZA
SOCIALE, DIVISIONE XI, UNDER NUMERO DI PROTOCOLLO
5948 DATED 27 AUGUST 1976. HEAD OF DIVISION IS
DOTT.SA BASSANI. EMBASSY MAY WANT TO TAKE ACTIVE
INTEREST IN FOLLOWING LOAN PROCESS. RANCO'S COUNSEL
IN ROME, BAKER AND MCKENZIE, WILL BE RESPONSIBLE FOR
APPLICATION.

10. COMMENT. RANCO DID NOT APPLY FOR CASSA INEGRAZIONE
SPECIALE UNTIL JUNE 15, 1976. WHY RANCO WAITED SIX MONTHS
TO TAKE WHAT AMOUNTS TO FIRST STEP IN GETTING LOAN
APPLICATION APPROVED IS NOT CLEAR.WRIGHT

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